OFFICE OF THE SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

STATUS OF MINISTERIAL CAPACITY DEVELOPMENT IN IRAQ

SIGIR-06-045
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SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

January 30, 2007

MEMORANDUM FOR U.S. AMBASSADOR TO IRAQ
DIRECTOR, IRAQ RECONSTRUCTION MANAGEMENT OFFICE
MISSION DIRECTOR-IRAQ, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
COMMANDING GENERAL, MULTI-NATIONAL FORCE-IRAQ
COMMANDING GENERAL, MULTI-NATIONAL SECURITY TRANSITION COMMAND-IRAQ
COMMANDING GENERAL, U.S. ARMY CORPS OF ENGINEERS, GULF REGION DIVISION

SUBJECT: Status of Ministerial Capacity Development in Iraq (SIGIR 06-045)

We are providing this audit report for your information and use. We performed the audit in accordance with our statutory duties contained in Public Law 108-106, as amended, which requires that we provide for the independent and objective conduct of audits, as well as leadership and coordination of and recommendations on policies designed to promote economy, efficiency, and effectiveness in the administration of programs and operations and to prevent and detect waste, fraud, and abuse. We initiated subject review to determine whether U.S. government organizations had plans and programs in place for capacity development in the Iraqi government ministries.

We considered comments received on the draft of this report from the Iraq Reconstruction Management Office, the U.S. Agency for International Development, and the Multi-National Security Transition Command-Iraq when preparing the final report. Their comments were addressed in the report, where applicable, and copies of formal agency responses are included in the Management Comments section of this report.

We appreciate the courtesies extended to the staff. For additional information on this report, please contact Mr. Joseph T. McDermott, Assistant Inspector General for Audit, (703-604-0982 / joseph.mcdermott@sigir.mil); or Mr. Glenn Furbish (914-360-3573/ glenn.furbish@iraq.centcom.mil). For the report distribution, see Appendix D.

Stuart W. Bowen, Jr.
Inspector General

cc: See Distribution

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Status of Ministerial Capacity Development in Iraq

SIGIR-06-045 **January 30, 2007**

Executive Summary

Introduction

Iraq's governing capacity has suffered from years of centralized control that led to the decay of core functions in many key institutions and ministries. Government systems and processes weakened in such areas as strategic and policy planning, finance, information technology, and human resources management. For almost 30 years, the central government neglected to develop a professional civil service, which fostered poor management practices. After the fall of Saddam Hussein's regime in 2003, governing capacity continued to deteriorate during the formation of multiple governments:

- provisional Iraqi Governing Council, established by the U.S.-led Coalition Provisional Authority in 2003
- Iraqi Interim Government in 2004
- Iraqi Transitional Government in 2005
- elected Government of Iraq which took office in May 2006

The current government, in office for about seven months, must deal with the ongoing sectarian strife and increased violence that continues to impede Coalition nation-building and related capacity-development efforts.

The implications of Iraq's poor governing capacity became fully apparent when some infrastructure facilities constructed or rehabilitated under the U.S. government's reconstruction effort failed or operated in suboptimal conditions after their handover in 2004 and 2005. Public Law 108-106, *Emergency Supplemental Appropriations Act for Defense and the Reconstruction of Iraq and Afghanistan* (2004), had encouraged U.S. organizations receiving reconstruction funds to provide significant financial resources, technical assistance, and capacity building to counterpart organizations. We found that those programs addressing Iraq's ministerial capacity-development needs were just beginning at the time of our evaluation.

The November 2005 *U.S. National Strategy for Victory in Iraq*; and the April 2006 Joint Campaign Plan—issued by the Chief of Mission, U.S. Embassy-Iraq, and the Commanding General of the Multi-National Force-Iraq (MNF-I)—together provided the broad policy and program guidance. These documents identified Iraqi national capacity development as a key component of U.S. strategic, political, security, and economic objectives in Iraq.

Capacity development is defined as an activity or multiple activities that lead to the transfer of knowledge, skills, and abilities across a range of functions over a period of time. It is also an essential prerequisite for sustainment, thus enabling individuals, units, organizations, and systems to perform functions efficiently to establish sustainable operations. The U.S. Embassy's Iraq Reconstruction Management Office (IRMO), the U.S. Agency for International Development (USAID), the U.S. Army Corps of Engineers Gulf Region Division (GRD), and the Multi-National Security Transition Command-Iraq (MNSTC-I) have designed internal programs to strengthen the management capability of Iraq's executive institutions and key ministries, using recently released FY 2006 supplemental funding. Other participants in ministerial capacity building include IRMO's senior consultants and U.S. Embassy's officers (Justice, Treasury, and Economic Affairs). These organizations and individuals receive strategic and policy guidance from the Executive Steering Committee, which comprise U.S. Mission, USAID, and U.S. military officials. In September 2006, the Joint Task Force on Capacity Development was created to coordinate the capacity-development initiatives of all U.S. government organizations, and makes recommendations to the Executive Steering Committee. We were also told by IRMO officials that the Joint Task Force ensures that capacity-development activities meet the objectives of the Joint Campaign Plan.

This audit examined the status of the ministerial capacity-development initiatives in Iraq as of December 2006.

Objectives

The objectives of this audit were to determine whether U.S. government organizations had plans and programs in place for capacity development in the Iraqi government ministries. Specifically, we addressed the following questions:

- Have U.S. government organizations, such as the Department of State and USAID, assessed the competency of the responsible Iraqi ministries for the long-term management of essential government functions and services?
- What are their programs for addressing the identified shortcomings?
- What performance indicators or metrics will be used to measure progress, and who has overall responsibility for measuring progress?
- Have U.S. government organizations identified adequate funding?

- Is the U.S. government working with other donor nations and institutions to coordinate, fund, and develop solutions for a comprehensive capacity-development program in future years?

Results

The first step in capacity-development planning is a clear assessment of the competencies and needs of the Government of Iraq. Yet, as told to us by IRMO staff, the crucial task of assessing Iraqi ministerial competency has been hampered by multiple temporary governments in which senior officials not only purged the remaining skilled ministerial staff, but also replaced them with persons hired more for their ethnic loyalty and/or family relationship than for their qualifications. Nonetheless, since the Coalition Provisional Authority established the Iraqi Governing Council in mid-2003, many U.S. government officials have been working within the key Iraqi ministries. Through their ongoing interaction with Iraqi ministers and subordinates, U.S. government officials have developed first-hand knowledge of the abilities and needs of the respective institutions. However, this information is not always available, shared, or utilized across all U.S. agencies, hampering overall coherence and possibly program effectiveness. Without a clear understanding as to what needs are to be achieved, individual U.S. government organizations have initiated individual projects to support the defined *National Strategy for Victory in Iraq*.

The majority of U.S. government capacity-development activities conducted to date have been internally driven and responsive to individual agency direction rather than a part of an overarching U.S. government capacity-building plan or program that defines roles and responsibilities, goals, objectives, and milestones. In April 2006, the Chief of Mission, U.S. Embassy-Iraq, and the Commanding General of MNF-I issued a Joint Campaign Plan that provides broad capacity-development policy and program guidance, but the Plan lacks the specific guidance to direct agency activities. Without a more detailed plan, we could not determine how these ongoing activities contribute to overall U.S. government objectives. A contributing problem seems to be that no one office or person is clearly in charge of the overall U.S. government capacity-development effort. Rather, functional responsibility for ministerial capacity development was intentionally divided: IRMO's Ministerial Coordination Team (MCT) addresses immediate short-term process and system problems at the ministries, and USAID focuses on the medium- to long-term institution building. Additionally, other U.S. organizations and offices conduct capacity-development activities at the ministries, including IRMO's senior consultants, U.S. Embassy's officers (Justice, Treasury, and Economic Affairs), MNSTC-I's embedded advisors at the security ministries (Defense and Interior), and GRD's functional experts at the essential services ministries (Oil, Electricity, Water Resources, Municipalities and Public Works, and Health). Without a detailed plan identifying common expectations that relate to both short- and long-term initiatives, resources may be wasted because ongoing initiatives may not be compatible with overall program goals.

In concept, these organizations' discrete efforts should be coordinated by the recently formed Joint Task Force on Capacity Development. Although created to identify issues, critical paths, gaps, and redundancies in capacity-development initiatives for all U.S. government organizations and, subsequently, to make recommendations to the Executive Steering Committee for respective ministerial action, we found that the Joint Task Force had limited authority to coordinate the various activities and to establish an overall capacity-development agenda. At the time of our review, the Task Force members were still at the stage of cataloguing their various activities and had yet to identify critical programming paths or how to leverage their resources and activities with each other or with their Iraqi counterparts.

As reported, multiple organizations and offices, have engaged the Iraqi ministries in numerous capacity-development activities. However, during the course of this review, we determined that U.S. government organizations introduced many of their activities without articulating clear achievable goals, especially the basis for measuring progress. Although some organizations had developed, or were in the process of developing, their own individual program objectives and performance measures, we noted the lack of a system to measure overall progress. And, most important, no single U.S. government office or official is responsible or accountable for measuring and reporting on overall U.S. ministerial capacity-development progress.

In the absence of action plans, U.S. government organizations could not estimate how much funding would be necessary to achieve the goal of a self-sufficient Iraqi government. Agency officials explained that their capacity-development budgets were structured around their respective programs and that their programs were based on the level of funding that was allocated to them, not on an assessment of requirements to achieve the overall U.S. government goal. For fiscal year 2006, IRMO and USAID received approximately $125 million. USAID has requested an additional $310 million for activities in fiscal year 2007 ($190 million) and fiscal year 2008 ($120 million), and IRMO has requested an additional $70 million for activities in fiscal year 2007. Congress has not yet approved the fiscal year 2007 budgets for the Department of State and USAID; the agencies are operating under a continuing resolution based on their fiscal year 2006 funding.

More than 40 nations and international institutions have pledged more than $15 billion for the reconstruction of Iraq, as of December 30, 2006. These bilateral and multilateral donors have played a limited role in Iraqi ministerial capacity-development programming. However, we were able to identify some capacity-development programs—two by the United Kingdom and several implemented through the United Nations Development Group Iraq Trust Fund and the World Bank Iraq Trust Fund. Though the United States works in close consultation with the United Kingdom on capacity-development activities at several Iraqi government offices, including the Ministry of Interior, we were unable to determine whether U.S. government managers took any steps to jointly develop and fund capacity-development programs with other bilateral or multilateral donors. The international community continues to negotiate the

details of the International Compact for Iraq,[1] projected to be completed in early 2007. We believe that the Compact presents the U.S. government with an excellent opportunity to actively work with participating bilateral and multilateral donors to assist in the planning, execution, and funding of a unified comprehensive capacity-development program in Iraq.

Recommendations

We recommend that the U.S. Ambassador to Iraq and the Commanding General, MNF- I, take these actions:

1. Develop a capacity assessment baseline for each ministry based on an agreed-on criterion that uses (a) the input from the individual U.S. organizations that have had an ongoing presence within the Iraqi ministries and (b) the assessment conducted by IRMO/MCT.

2. Develop a mechanism to share this information among the U.S. organizations involved in the ministry capacity-development program.

3. Develop a detailed plan, in concert with the Government of Iraq, including clearly defined objectives and outcome-related performance measures, milestones for achieving stated objectives, and future funding requirements, for implementing a unified comprehensive capacity-development program to enable the Iraqi government to provide sustainable security and services to the Iraqi public.

4. Actively work with other bilateral and multilateral donors through the International Compact for Iraq process to assist in the planning, execution, and funding of a unified comprehensive capacity-development program in Iraq.

5. Assign clear responsibility for the overall U.S. capacity-development effort to one U.S. government official or organization.

Management Comments and Audit Response

We received written comments on a draft of this report from IRMO, USAID, and MNF-I.

Overall, the organizations generally concurred with our five recommendations. USAID disagreed on some of the methods of implementation. We are pleased to report that IRMO and MNF-I indicated in their comments that they had or were in the process of implementing all of the report's recommendations. IRMO, USAID, MNF-I, and MNSTC-I also provided technical comments, which have been incorporated in the report

[1] The International Compact for Iraq is a joint Government of Iraq and United Nations effort launched in July 2006 to bring together the international community and multilateral organizations to spur political, economic, and social development in Iraq.

where appropriate. We consider that all comments received are responsive to the intent of the recommendations.

However, for recommendation 5, "assign clear responsibility for the overall U.S. capacity-development effort to one U.S. government official or organization," we believe that IRMO's response of assigning this responsibility to the Joint Task Force for Capacity Development may not resolve the organizational and program management challenges confronting the U.S. capacity development initiative. As we observed during our assessment, the Joint Task Force is a useful mechanism for information sharing but lacks the authority to direct organizations in a coordinated manner. However, the Joint Task Force is an organization that coordinates rather than has an accountable management responsibility or authority.

We believe this accountability with the appropriate authority is particularly important in addressing cross-ministerial management problems with multiple implementing agencies and organizations. IRMO, stated in its comments that the magnitude and complexity of the challenges faced in Iraq, combined with the many U.S. government entities involved, presents an organizational challenge of some magnitude. We agree. As such, we continue to believe—and USAID's response to the draft report supported—that assigning overall responsibility to a single official or office with directive authority is the best way forward to address these organizational challenges. USAID responded that "the best scenario would be for a single organization to receive all funding for capacity development with the head of that organization named as the one U.S. government official responsible for U.S. capacity development efforts."

MNF-I, in its response to the draft of this report, stated that recommendation 5 is already completed because the "Secretary of State has appointed the Coordinator for Reconstruction (Ambassador Carney). Further, in accordance with Appendix 4 (Effective Government and Essential Services) to Annex V (Campaign Objectives) of the Joint Campaign Plan, National Capacity Development is managed by the Joint Executive Steering Committee, which decides on issues related to the multi-level capacity-development initiatives and ensures efforts are synchronized."

Based on the various responses to our recommendation 5, we believe that this recommendation remains valid. Further, as demonstrated by the responses and our discussions with other ministerial capacity-development participants, the overall responsibility for capacity-development has not been clearly assigned.

Introduction

Background

Iraq's governing capacity has suffered from years of centralized control that led to the decay of core functions in many key institutions and ministries. Government systems and processes weakened in such areas as strategic and policy planning, finance, information technology, and human resources management. According to U.S. Mission officials, for almost 30 years, the central government neglected to develop a professional civil service, which fostered poor management practices. Two collateral events—the Coalition Provisional Authority's debaathification policies initiated after the fall of Saddam Hussein's regime and the subsequent "brain drain" of professional staff that fled Iraq's ongoing violence—decimated the government's managerial class.

Governing capacity continued to deterioration during the formation of multiple temporary governments, when senior officials not only purged the remaining skilled ministerial staff but also replaced them with persons hired more for their ethnic loyalty and/or family relationship than for their qualifications. Following Operation IRAQI FREEDOM in 2003, the Iraqis underwent the planned evolution of four governments:

- provisional Iraqi Governing Council, established by the U.S.-led Coalition Provisional Authority in 2003
- Iraqi Interim Government in 2004
- Iraqi Transitional Government in 2005
- elected Government of Iraq which took office in May 2006

The current government, in office for about seven months, must deal with the ongoing sectarian strife and increased violence that continues to impede Coalition nation-building and related capacity-development efforts.

The U.S. government faces significant challenges as it works to build governing capacity at key Iraqi institutions and ministries. Several Iraqi ministries are under the control of political parties that appear more concerned with furthering sectarian interests than the governance and capacity-development objectives of the representative government. According to U.S. Mission-Iraq officials, staffing at some ministries is frequently based upon religious and clan loyalty as opposed to merit or qualifications, thus undermining the capacity-development goal of training a competent workforce.

The continued threat of violence by anti-Iraqi forces against Coalition members and Iraqi officials viewed as cooperating with the Coalition limits the ability of capacity-development experts to interact with their Iraqi counterparts. While meetings are possible within the International Zone, the risk of violence affects the delivery of capacity-development support to ministries and institutions, such as the Iraqi Ministries of Finance, Interior, and Electricity. For example, U.S. Agency for International

Development (USAID) officials told us that their main Iraqi counterpart, the National Center for Consultations and Management Development, located in the Baghdad suburbs, asked the USAID officials not to visit the center's compound because of the risk their presence would present. USAID officials also told us that they have been unable to assess the operations of potential implementing partners at regional training centers in Mosul and Basrah because of the security situation. In addition, the Multi-National Security Transition Command-Iraq (MNSTC-I) advisors working in Iraq's security ministries (Defense and Interior) reported to us that it is very difficult to conduct capacity-development activities while simultaneously engaged in ongoing security operations.

Capacity-development Participants

As reported by various agencies, the implications of Iraq's poor governing capacity became fully apparent when some of the critical infrastructure facilities constructed or rehabilitated under the U.S. government's reconstruction effort failed or operated in suboptimal conditions after their handover in 2004 and 2005.[2] Public Law 108-106, *Emergency Supplemental Appropriations Act for Defense and the Reconstruction of Iraq and Afghanistan* (2004), had encouraged U.S. organizations receiving reconstruction funds to provide significant financial resources, technical assistance, and capacity building to counterpart organizations. We found that those programs addressing Iraq's ministerial capacity-development needs were just beginning at the time of our evaluation.

The November 2005 *U.S. National Strategy for Victory in Iraq*; and the April 2006 Joint Campaign Plan—issued by the Chief of Mission, U.S. Embassy-Iraq and the Commanding General of the Multi-National Force-Iraq (MNF-I)—together provided the broad policy and program guidance. These documents identified Iraqi national capacity development as a key component of U.S. strategic, political, security, and economic objectives in Iraq.

The Embassy's Iraq Reconstruction Management Office (IRMO), USAID, U.S. Embassy-Iraq, the U.S. Army Corps of Engineers Gulf Region Division (GRD), and MNSTC-I have undertaken activities to strengthen the management capability of Iraq's executive institutions (Prime Minister's Office, Council of Ministers' Secretariat, and Government Communications Directorate), its key enabling ministries (Finance, Planning, Interior, and Defense), and its key essential services ministries (Oil, Electricity, Water Resources, Municipalities and Public Works, and Health) using recently released FY2006 supplemental funding. The mutual goal is building the capacity of the Government of Iraq to provide sustainable security and services to the Iraqi public.

[2] See *Managing Sustainment for Iraq Relief and Reconstruction Fund Programs* (SIGIR-05-022, October 24, 2005); *Challenges Faced in Carrying Out Iraq Relief and Reconstruction Fund Activities* (SIGIR-05-029, January 26, 2006); *Audit of USAID/Iraq's Electrical Power Activities* (USAID/Inspector General-E-267-05-003-P, June 29, 2005); and *Rebuilding Iraq: Status of Funding and Reconstruction Efforts* (GAO-05-876, July 28, 2005).

Capacity-development Initiatives

Capacity development, defined as an activity or multiple activities that lead to the transfer of knowledge, skills, and abilities across a range of functions over a period of time, is a prerequisite for sustainment. An effective program, with appropriate level of budgetary resources, would enable individuals, units, organizations, and systems to perform functions efficiently to establish sustainable operations. According to a body of development literature, development investments without capacity development are not sustainable and lead to dependence or failure. IRMO has adopted a United Nations Development Program model that defines five levels of sustainable capacity development for organizations and offices engaged in Iraq's reconstruction effort.[3] Collectively, the five levels serve as the overarching framework for capacity-development initiatives by IRMO, USAID, U.S. Embassy-Iraq, GRD, and MNSTC-I, as well as donor nations. Each level targets broad governmental functions and usually includes one or more of these participants, as follows:

- Level 1 (Enabling Environment) covers the formulation of the strategic policy, vision, and commitment at the highest levels of the Iraqi government structure to enable, facilitate, and promote sustainable capacity-development frameworks and activities at the implementation level. Participants include the Iraqi government (political), the Department of State, IRMO, and donor nations.
- Level 2 (Legal, Regulatory, and Policy Frameworks) entails the driving mechanisms and requirements that support a sustainable infrastructure. Organizations can function effectively only if the appropriate laws, regulations, and polices are in place at the appropriate level of government. Participants include the Iraqi government (Legislative and Cabinet), State Department, IRMO, USAID, and donor nations.
- Level 3 (Interorganizational Systems and Processes) encompasses the systems and processes by which all public and private sector Iraqi stakeholders work toward the common goal of creating a sustainable infrastructure and delivery of services. Participants include Iraqi ministries, IRMO, USAID, and donor nations.
- Level 4 (Iraqi Ministries) focuses on establishing functional business and organizational systems (budgeting, planning, human resources, and information management) within each ministry/sector necessary to support sustainable infrastructure and services. Participants include Iraqi ministries, IRMO, USAID, GRD, MNSTC-I, and donor nations.
- Level 5 (Infrastructure) provides targeted labor force training and development to Iraqis at the plant or facility level to enable them to operate and maintain new and/or renovated equipment and other mechanical systems. Participants include Iraqi ministries, USAID, GRD, MNSTC-I, and donor nations.

[3] Iraq Reconstruction Management Office, *Iraq Reconstruction Program: Framework for Iraq Infrastructure Sustainability*, June 11, 2006.

The formulation of this capacity-development framework had evolved through the efforts of disparate organizations in 2005. Several organizations have reported capacity-development problems related to U.S.-funded reconstruction projects. For example, an informal U.S. Mission/MNF-I working group raised their concerns that it was not receiving the attention it deserved. Beginning in mid-2005, a series of reports by the Special Inspector General for Iraq Reconstruction, the USAID Inspector General, and the U.S. Government Accountability Office reported that capacity-development problems jeopardized billions of dollars of investments in Iraq's infrastructure and recommended that activities to develop the capacity of the Iraqi government to support and budget for sustaining projects be included in U.S. reconstruction programs.

In the fall of 2005, IRMO and USAID began discussions to outline a national capacity-development program to provide Iraqi ministries and executive institutions capacity-development support structured along two tracks, short-term and medium- to long-term. In April 2006, it was determined that the short-term program (6-12 months) would be managed by IRMO and focus on such immediate, high-priority activities as budget execution, skills development, and legislative/regulatory backlogs; the medium- to long-term program (12-36 months) would be managed by USAID and center on institution building and civil service reform, reinforced with Iraqi-led training programs. The roles and responsibilities of the other ministerial capacity-development participants have not been clarified in written plans.

Responsibility for coordinating and supporting U.S. government capacity-building efforts at key Iraqi ministries and institutions rests with IRMO's Ministerial Coordination Team, formed in February 2006 and staffed by U.S. Mission, MNF-I, USAID, and other Coalition partners. The Ministerial Coordination Team, which receives strategic and policy guidance from the Executive Steering Committee, also chairs the Joint Task Force on Capacity Development. The Executive Steering Committee which comprise U.S. Mission officials, U.S. military and other Coalition representatives. The Joint Task Force, created in September 2006, has the mission of coordinating the capacity-development initiatives of all U.S. government organizations and, subsequently, making recommendations to the Executive Steering Committee for respective ministerial action. The Joint Task Force members include, but are not limited to, the U.S. Embassy-Iraq, IRMO, USAID, GRD, MNSTC-I, and the Multi-National Corps-Iraq.

Objectives

The objectives of this audit were to determine whether U.S. government organizations had plans and programs in place for capacity development in the Iraqi government ministries. Specifically, we addressed the following questions:

- Have U.S. government organizations, such as the Department of State and USAID, assessed the competency of the responsible Iraqi ministries for the long-term management of essential government functions and services?
- What are their programs for addressing the identified shortcomings?

- What performance indicators or metrics will be used to measure progress, and who has overall responsibility for measuring progress?
- Have U.S. government organizations identified adequate funding?
- Is the U.S. government working with other donor nations and institutions to coordinate, fund, and develop solutions for a comprehensive capacity-development program in future years?

For a discussion of the audit scope and methodology, see Appendix A. For the organization of the Iraqi National Unity Government, see Appendix B. For the acronyms used in this report, see Appendix C. For the report distribution, see Appendix D. For the audit team members, see Appendix E.

Assessing Ministerial Competency

Assessing the competency and needs of the Iraqi ministries is a critical step in planning for capacity development. Yet, as told to us by IRMO staff, the crucial task of assessing Iraqi ministerial competency has been hampered by multiple temporary governments in which senior officials not only purged the remaining skilled ministerial staff, but also replaced them with persons hired more for their ethnic loyalty and/or family relationship than for their qualifications. Nonetheless, since the Coalition Provisional Authority established the Iraqi Governing Council in mid-2003, many U.S. government officials, including IRMO's senior consultants, have been working with the key Iraqi ministries. Through their ongoing interaction with Iraqi ministers (*see Appendix B*) and their subordinates, U.S. government officials have developed first-hand knowledge of the abilities and needs of the respective institutions. Based on our interviews and review of reports and documents, we believe these officials have acquired a general understanding of Iraqi ministerial capabilities and shortcomings. However, this information is not always available, shared, or utilized across all U.S. agencies, hampering overall coherence and possibly program effectiveness. Without a clear understanding as to what needs are to be achieved, individual U.S. government organizations have initiated individual projects to support the defined *National Strategy for Victory in Iraq.*

In August 2006, IRMO conducted an assessment of two enabling ministries (Finance and Planning), the five essential services ministries (Oil, Electricity, Water Resources, Municipalities and Public Works, and Health), and three others (Justice, Agriculture, and Education) based on general goals articulated in the Joint Campaign Plan—security, governance, and economic development. The assessment measured each ministry's ability to carry out and sustain nine major functions and fifty-four subfunctions, including sustaining outputs, transparent financial systems, adequate technology resources, and effective information management systems. IRMO developed a color-coded bar graph, with four scoring levels to evaluate performance capacity:

- Red (0-25%)
- Amber (25-50%)
- Yellow (50-75%)
- Green (75-100%)

Our review of the assessment tool indicated that it provided general information on each ministry's ability to conduct business and lacked specific information to assist capacity-development experts in devising corrective actions. However, IRMO officials told us that the results of this assessment serve as the basis for planning short-term capacity development activities. However, because the final assessment was classified, it had limited distribution or visibility outside of IRMO.

USAID, as part of its capacity-development program, plans to work together with its Iraqi counterpart, the National Center for Consultations and Management Development[4], to identify and mentor a cadre of up-and-coming staff members within the Iraqi ministries, the objective being to begin a collaborative self-assessment process that will lead to specific capacity-development plans. Thereafter, USAID will assist the ministries with the implementation of their own capacity-development plans. USAID's draft work plan envisions starting work in the first two ministries in winter/spring 2007.

Another organization, MNSTC-I, has been monitoring the performance of the Defense and Interior ministries since in June 2004.

We found that the information collected about the capacity-development shortfalls of a particular ministry is not effectively shared or understood across organizations. For many of the Government of Iraq's capacity problems affect multiple ministries and cannot be solved on an ad hoc basis. For example, obtaining fuel for the Iraqi Security Forces is a critical problem that must be addressed at multiple ministries. However, at the time of our review, we found no U.S. government program that addressed a solution by utilizing management capacity building across the ministries involved.

Mission officials told us that assisting ministries to convert budget resources into such essential services as reliable electricity, potable water, sewage disposal, and security is their top capacity-development priority, for the present system is underperforming. U.S. Mission officials view the Iraqi government's inability to spend its own budget resources (estimated at more than $13 billion as of December 2006) as a significant problem that, if not corrected, may lead to the failure of the government.

In meetings with IRMO officials, they stressed the difficulty of assessing ministerial capabilities given the large-scale turnover of senior ministerial personnel. They stated that the current strategy is to work with the Iraqi government to support its needs without imposing capacity-development activities that may not be supported within the government. This strategy is particularly vulnerable to staff turnover because it requires a buy-in by the Iraqi's on each ministry's needs, and these perceived needs may change dramatically when key Iraqi staff depart.

[4] The National Center for Consultations and Management Development is part of the Iraqi Ministry of Planning.

Capacity-development Programs

A number of U.S. government organizations have implemented capacity-development initiatives within Iraq's executive institutions and key ministries, but most on-going activities are internally driven and responsive to agency direction rather than part of an overarching plan for a unified comprehensive U.S. capacity-development effort. Thus, we could not determine the relevance and impact of these individual activities. This problem occurs because no one office or person is clearly in charge of the overall U.S. capacity-development effort. Without clear lines of authority and responsibility and a plan that details U.S. goals, objectives, and responsibilities, it will be difficult for the myriad of organizations involved to coordinate and prioritize activities.

In written comments on a draft of this report, MNF-I and IRMO disagreed with our assertion that capacity-development activities are being conducted without clear overall objectives. According to their comments, all U.S. government organizations conducting capacity-development activities operate in accordance with the Joint Campaign Plan. They stated that the Effective Government and Essential Services Appendices to the Joint Campaign Plan provide clear Ambassador and Commander intent, end states, objectives and priorities. However, we disagree. For example, the plan identifies one objective: "an Iraqi government based on the principals of national unity capable of effective administration, diminishing corruption, improving the provision of services, and securing its infrastructure; and with an accountable civil society invested in establishing a stable democratic, and economically viable Iraq." The priorities identified are

- national capacity development to facilitate effective governance and delivery of essential services
- provincial capacity development linked to National Development Strategy
- improve infrastructure integrity
- deliver other essential services

As stated earlier in this report, we consider these to be broad statements that lack specificity. At this level of detail it is not possible to determine what the specific planned activities are, who is responsible, or how progress will be measured. We believe objectives should be specific, measurable, accountable, relevant, and contain a timeline for execution in order to take the corrective actions to achieve the objectives. For example, a common problem in many ministries is the inability to prepare and submit budgets. Thus, we believe an appropriate plan would detail the specific activities planned to address budget problems at each ministry, identify who is responsible, relate all planned activities to the appropriate goal, and identify a timeline for accomplishing each activity. A timeline is particularly important for determining the resources necessary for carrying out each activity.

IRMO also stated in its written comments that the conditions and challenges facing capacity-development efforts within the Iraq environment are more unique than this report acknowledges. According to IRMO, it is not so much in a post-conflict

environment as an ongoing and active conflict environment. This has a dramatic impact on the political will and focus on governance by the Iraqi government. According to IRMO, it must be emphasized that the foundation of successful and sustainable capacity development is an enabling environment (political will) within the Iraqi government to improve the quality of security and services being provided to the people of Iraq. We agree with IRMO's assessment. However, we continue to believe that greater specificity in capacity-development planning would focus activities on the goals and objectives established for each ministry and provide a more objective basis for activity planning and budgeting.

Individual Programs

Starting in the fall of 2006, IRMO and USAID initiated separate capacity-development programs to provide leadership and managerial training and support to Iraqi executive institutions and ministries. However, without a detailed plan, we were unable to determine how these ongoing and future activities will contribute to the U.S. government goal of building the capacity of the Government of Iraq to provide sustainable security and service to the Iraqi public. Also, because these capacity-development programs were just beginning at the time of our audit, we were unable to evaluate their effectiveness and/or their impact.

Functional responsibility for ministerial capacity development is divided: IRMO's Ministerial Coordination Team (MCT) addresses immediate short-term process and system problems at the ministries, and USAID focuses on the medium- to long-term institution building. As stated earlier, other U.S. government organizations and offices are engaged in capacity-development activities at the ministries, however, in the absence of a plan we are uncertain about their exact roles and responsibilities or how their current activities support or contribute to the overall capacity-development effort. Taken together, these organizations have targeted 12 of the current 34 Iraqi ministries where governing capacity must be improved for enabling the Government of Iraq to provide sustainable security and services to the Iraqi public (*Table 1*). For an organizational chart of the ministerial composition of the Iraqi National Unity Government, see Appendix B.

Table 1—Iraqi Ministries Targeted for Capacity Development

Enabling	Essential Services	Other
Finance	Oil	Justice
Planning	Electricity	Agriculture
Interior	Water Resources	Education
Defense	Municipalities and Public Works	
	Health	

IRMO/MCT

Based on strategic and policy guidance from the Executive Steering Committee, IRMO's MCT directed its efforts towards immediate problems and bottlenecks preventing Iraqi ministries from carrying out their core functions. These core functions have not been specifically identified but are listed in various documents that reference such functions as strategic planning, budgeting, financial management, human resources, information management, and constituent services. Starting in June and September 2006, training programs in the English language, procurement reform, financial management, and budget preparation were implemented with $15 million from the Iraq Reconstruction and Relief Fund. In addition, subject-matter experts were assigned to the Prime Minister's Office and key ministries. Because of a delay in the release of $45 million from the Economic Support Fund until November 30, 2006, the MCT reported that the start of more than 40 other capacity-development projects was delayed.

USAID

USAID's program focuses on medium- to long-term fundamentals in its efforts to develop Iraq's governing institutions and civil service by improving and standardizing public administration and revitalizing government training centers. In late July 2006 USAID awarded a two-year plus one option year contract to Management Systems International, a Washington D.C.-based consulting firm, valued up to $165 million, to design and implement its national capacity-development program. USAID's main Iraqi counterpart in this program is the National Center for Consultations and Management Development, located in the Baghdad suburbs, working with three potential implementing partners at the regional training centers in Erbil, Mosul, and Basrah. A USAID official estimated that 80 % of the program would be geared toward training, with the goal of training up to 58,000 civil servants. In addition, although USAID focuses on medium-to long-term efforts, they told us that they also provide short-term immediate support to the Government of Iraq for key priorities as they materialize. For example, in November 2006, USAID began two training sessions addressing budgeting and procurement problems with officials from the Ministries of Finance, Planning, Oil, Electricity, and Water Resources. The participants identified the Ministry of Finance as a major bottleneck for executing budgets, saying its bureaucratic and centralized procedures were too strict for spending funds.

MNSTC-I

MNSTC-I is primarily responsible for organizing, training, equipping, and mentoring Iraqi Security Forces under the Iraqi Ministries of Defense and Interior. To build capacity within these ministries, MNSTC-I has formed transition teams at each ministry, consisting of 38 advisors embedded within the Ministry of Defense, and at any point in time, between 40 and 50 advisors within the Ministry of Interior. These advisors work across all functional areas within the ministries and provide assistance and mentorship to their Iraqi counterparts. According to MNSTC-I officials, the Ministries of Defense and

Interior rely on the support of the other enabling ministries (Finance, Planning), though much work remains in improving inter-ministerial cooperation.

GRD

The U.S. Army Corps of Engineers GRD, which is charged with planning and executing construction projects throughout Iraq, provides construction management support to the essential services ministries—Oil, Electricity, Water Resources, Municipalities and Public Works, and Health, in addition to the Ministries of Transportation and Communications. Starting in early 2005, GRD has conducted capacity-development training associated with individual projects, however, the bulk of GRD's activities are focused at the plant and facility level. GRD also provides capacity-development training to ministry directors general as part of its Level 5 sustainment efforts to enhance their quality control management skills.

IRMO Senior Consultants

IRMO has senior consultants assigned to key Iraqi ministries to provide advice on strategic policy and organizational development. The consultants advise on all policies related to the management and daily operations of the respective ministries and are suppose to serve as the single U.S. Embassy point of contact for all ministerial matters and for coordination with Department of Defense components, other U.S. government agencies, Coalition governments, the United Nations, nongovernmental organizations, and the Government of Iraq. However, in spite of being well versed in the capacity needs of the respective ministries, several senior consultants told us that they were unaware of a wider U.S. government national capacity-development program. They thus declined to substantively address the efforts of IRMO/MCT and/or the mission of the Joint Task Force for Capacity Development.

U.S. Embassy-Iraq

The U.S. Embassy's Economic Affairs and the Justice and Treasury Attaché offices engage in a wide variety of ministerial capacity-development activities. For example, Economic Affairs has between 10 and 12 officials providing technical assistance and advice to ministries on such issues as finance and banking, economics policymaking and reform, bilateral and multilateral trade, and regulatory frameworks. The Justice Attaché office has 8 legal advisors that assist Iraq's High Judicial Council and provide prosecutorial development assistance and training. The Treasury Attaché office has approximately 10 officials that provide technical assistance and advice to the Ministry of Finance on budget execution matters, including instruction on financial management, budget, and central bank operations. In addition, U.S. Embassy offices also work with U.S. executive branch agencies to sponsor delegations of Iraqi ministry officials for senior management programs in Washington, D.C.

Program Management

The U.S. Mission has not designated a lead office to direct a coordinated U.S. government capacity-development effort. IRMO officials made clear in their written comments that it lacks the authority to direct MNSTC-I, GRD, and USAID activities. Thus, organizations such as the Joint Executive Steering Committee are deemed the best method of coordinating agency capacity development activities. They also stated that they believe the Steering Committee has been effective in coordinating activities. However, some capacity-development officials told us that the U.S. government has difficulty coordinating and managing its capacity-development activities, which results in overlapping program mandates and fragmented activities.

In September 2006, the Joint Task Force on Capacity Development was created to address coordination issues within U.S. government organizations. Chaired by IRMO's MCT, its members, including the U.S. Embassy-Iraq, IRMO, USAID, GRD, MNSTC-I, and the Multi-National Corps-Iraq, seek to identify issues, critical paths, gaps, and redundancies in capacity-development programming and, subsequently, to make recommendations to the Executive Steering Committee for respective ministerial action.

At weekly meetings in October and December 2006, we observed that the Joint Task Force was making some progress in coordinating the various activities and developing a capacity-development agenda. By mid-December, task force members were still at the stage of cataloguing their various activities and had yet to identify critical programming paths or how to leverage their resources and activities. For example, we learned that obtaining fuel for the Iraqis Security Forces is a critical problem and resolving the problem requires addressing issues at the Ministries of Oil, Finance, and Planning. An MNF-I's Iraq Strategic Logistics Study team also identified the lack of a process to resolve cross-ministerial issues as a significant problem. However, at the time of our review U.S. government organizations were still in the organizing stage of addressing cross-ministerial management problems.

Finally, any effort of the scope and size of the Iraqi national capacity-development program typically requires the U.S. government to enter into a formal agreement with the host government to clearly articulate roles, responsibilities, and commitments. The United States has not yet entered into an overall bilateral agreement with the Government of Iraq. We found that capacity-development activities are being conducted within ministries based upon individual understandings reached between the Iraqi ministers and U.S. agency officials. A consensus among these officials was that they have not yet experienced a downside because of the lack of an overall agreement, but they stressed it would be preferable to have the full backing and support of the Iraq government behind a coordinated effort to ensure success. For an organizational chart of the ministerial composition of the Iraqi National Unity Government, see Appendix B.

Measuring Progress

Committed to support sustainable infrastructure and services in Iraq, the U.S. government, through multiple organizations and offices, has engaged the Iraqi ministries in numerous capacity-development activities. During the course of our review, we determined that U.S. government organizations introduced many of their activities without articulating clear achievable goals, especially the basis for measuring progress. Although some organizations had developed, or were in the process of developing, their own individual program objectives and performance measures, we noted the lack of a system to measure overall progress. And, most important, no single U.S. government office or official is responsible or accountable for measuring and reporting on overall U.S. ministerial capacity-development progress.

We were told that IRMO derived its capacity-development objectives and indicators to measure progress from the Joint Campaign Plan and the U.S. Embassy's Mission Performance Plan. In our conversations with IRMO officials we noted that the Joint Campaign Plan and the Mission Performance Plan provide broad statements as to goals but lacked the specificity necessary to measure progress. IRMO officials acknowledged the need to follow a more systematic approach for developing indicators and measuring progress. They also told us, however, that Iraq's unique challenges makes it difficult to adopt many of the traditional strategic planning and performance monitoring approaches used in nonconflict countries.

USAID, which has a history of working in conflict and post-conflict environments, developed a strategic plan in January 2006 that emphasized the importance of reforms with Iraqi ministries and institutions to improve core public administration functions, such as strategic and policy planning, finance, information technology, and human resources management. In November 2006, USAID developed a preliminary set of performance indicators, including output measurements for major functions, and a performance monitoring plan. Set up to provide information at the intermediate and sub-intermediate results level in its capacity-development program, the plan appears sufficient to measure whether progress is or is not being made.

Finally, MNSTC-I assesses the Defense and Interior ministries on a monthly basis, based upon fourteen categories of performance. The categories measure movement toward self-reliance in such areas as budgeting, logistics, contracting, and operations.

Funding Requirements

The U.S. government organizations involved in Iraq reconstruction understand the overarching goal of building ministerial governing capacity to ensure sustainable security and services for the Iraqi public, but we determined that they lack the specifics of the actual funding requirements to realize this vision. Officials from these U.S. government organizations reported to us that they could not estimate how much funding would be necessary to achieve the goal of a self-sufficient Iraqi government. They explained that their capacity-development budgets were structured around their respective programs and that their programs were based upon the level of funding that was allocated to them, not upon an assessment of requirements to achieve the larger goal.

Presently, U.S. ministerial capacity-development activities are spread among numerous organizations, yet no reliable method exists for relating the respective programs and budgets to the larger goal. For fiscal year (FY) 2006, IRMO and USAID received approximately $125 million. USAID has requested an additional $310 million for FYs 2007 and 2008, and IRMO has requested an additional $70 million for FY 2007 (*Table 2*). However, Congress has not yet approved the FY 2007 budgets for the Department of State and USAID; the agencies are operating on continuing resolutions based on their FY 2006 funding. In addition, embedded MNSTC-I advisors, IRMO senior consultants, and U.S. Embassy officers (Justice, Treasury, and Economic Affairs) play an active role in ministerial capacity-development activities, but their support costs (chiefly salaries) are included within their organizations overall operating budget. Similarly, the activities of GRD's functional experts at the essential services ministries (Oil, Electricity, and Water Resources) are reported under a sustainment budget line item, and we were unable to attribute a level of funding support.

Table 2—U.S. Support for Ministerial Capacity Development in Iraq

Dollars in millions

Agency	Obligated		Requested		Total
	FY 2006	FY 2007	FY 2007	FY 2008	
USAID	65[a]		190	120	375
IRMO	60[b]		70		130
Total	125		260	120	505

Source: SIGIR analysis of IRMO and USAID data, as of December 15, 2006.

Notes:
[a] $5 million from the Iraq Reconstruction and Relief Fund (IRRF) and $60 million from the Economic Support Fund (ESF)
[b] $15 million from IRRF and $45 million from ESF

The ability to relate performance and achievement to budget outlays entails not only establishing a verifiable relationship between program objectives, with performance indicators, and expenditures but also being able to report this information in an integrated manner. We recognize that identifying how allocated and requested funding levels contribute to achieving the ministerial capacity-development goal is complex, requiring a significant level of effort in Iraq's difficult operating environment. We also recognize that both IRMO and USAID are in the beginning stages of their capacity-development activities. However, it is necessary to develop budgeting processes that give meaningful indication of how dollars are expected to achieve results. We believe steps need to be taken to start down the path of developing such processes.

Donor Nations/Institutions

More than 40 nations and international institutions have pledged over $15 billion for the reconstruction of Iraq, as of December 30, 2006. These bilateral and multilateral donors have played a limited role in Iraqi ministerial capacity-development programming. However, we were able to identify only a few capacity-development programs—two by the United Kingdom, valued at $31.5 million; those financed through the International Reconstruction Fund Facility for Iraq,[5] valued at approximately $25 million; and those channeled through the United Nations Development Group Iraq Trust Fund and the World Bank Iraq Trust Fund. Though the U.S. government organizations work in close consultation with the United Kingdom on capacity-development activities at several government offices, including the Ministry of Interior, we were unable to determine whether U.S. managers took any steps to jointly develop and fund capacity-development programs with other bilateral or multilateral donors.

The following is a summary of the bilateral and multilateral Iraqi ministerial capacity-development programs we identified:

- The United Kingdom's Department for International Development manages two capacity-building programs: one for $25.7 million to improve Iraqi government operations at the Prime Minister's Office, the Council of Ministers' Secretariat, and the Government Communications Directorate, having three full-time advisors and a number of short-term subject-matter experts; and one for $5.8 million to strengthen human resources/financial management and operations within the Ministry of Interior, with the assistance of six international advisors fully embedded in the wider MNSTC-I effort.

- The United Nations Development Group oversees not only its own capacity-building programs but also those financed with donor funds. Two of its projects involve a $3 million institutional strengthening effort with the Ministry of Municipality and Public Works and a $2.6 million endeavor to help the Iraqi government coordinate international donor assistance. In addition, through its Iraq Trust Fund, it also manages monies from the European Commission for reconstruction assistance in Iraq.[6]

[5] The International Reconstruction Fund Facility for Iraq, created at the request of donors attending the Iraq Donors Meeting held in New York on June 24, 2003, to meet the funding requirements for two trust funds run by the United Nations Development Group and the World Bank, aims to help donors channel their resources and coordinate their support for reconstruction and development assistance to Iraq.

[6] During the period 2003 to 2006, the European Commission channeled $20.5 million through the United Nations Development Group and the World Bank for capacity development in Iraq; however, we were unable to obtain any information on the specific in-country activities.

- The World Bank, which has its own Iraq Trust Fund, is primarily involved in capacity development through policy dialogue and advisory assistance at Levels 1 and 2. The World Bank does not have a permanent presence in Baghdad; however, according to a Bank representative, plans are under way to increase staffing and program activities by the spring of 2007.

An important initiative to bring together the international community and multilateral organizations to spur political, economic, and social development is the five-year International Compact for Iraq, formally launched by the Government of Iraq and the United Nations on July 27, 2006. The Compact, jointly chaired by the Government of Iraq and the United Nations, with the support of the World Bank, the International Monetary Fund, and other regional financial institutions, seeks to help Iraq achieve its national vision of a united, federal, democratic country having sustainable self-sufficiency by developing a solid budgetary framework, by improving governance, and by building effective institutions.

The international community continues to negotiate the details of the International Compact, projected to be completed in early 2007. We believe that the Compact presents the U.S. government with an excellent opportunity to actively participate with other bilateral and multilateral donors to assist in the planning, execution, and funding of a unified comprehensive capacity-development program in Iraq. According to a World Bank official, its programming strategy will be to support the International Compact, with the Government of Iraq in the lead, and that the European Commission also intends to be a strong supporter of the Compact.

Conclusion and Recommendations

Conclusion

A national capacity-development program in Iraq is a critical component of the U.S. government's goal of building the capacity of the Government of Iraq to provide sustainable security and services to the Iraqi public. U.S. government organizations have signaled their commitment to developing Iraqi governing capacity by budgeting approximately $125 million for current programming and requesting an additional $380 million for FY 2007/2008. Undermining the U.S.-led effort to build Iraqi capacity is an operating structure where capacity-development activities are spread among multiple organizations and offices that are working without clear overall objectives, without a synchronized plan for conducting assignments, and without a system to measure if progress is or is not being made. The majority of U.S. government capacity-development activities conducted to date have been internally driven and responsive to individual agency direction rather than part of an overarching U.S. government capacity-building plan or program. Further complicating the U.S. effort is the lack of a single entity with the mandate to implement a unified comprehensive U.S. ministerial capacity-development program in Iraq, having full authority not only to direct proactive solutions, but also to measure desired end-state results.

Establishing viable Iraqi governing capacity will almost certainly require an investment of additional years and resources. This effort will not go unchallenged at the outset, given the difficult security situation and the increasing sectarianism within Iraqi society and its governing institutions. Both international and regional support are critical factors in the formula for success. The Iraqi government and the United Nations have much hope in the success of the International Compact for Iraq. However, this vehicle to unify the country is dependent upon each Iraqi minister demonstrating supportive leadership and strong commitment to the Compact and governing capacity to provide and sustain security and services to the Iraqi public.

Recommendations

We recommend that the U.S. Ambassador to Iraq and the Commanding General, MNF-I, take these actions:

1. Develop a capacity assessment baseline for each ministry based on an agreed-on criterion that uses (a) the input from the individual U.S. organizations that have had an ongoing presence within the Iraqi ministries and (b) the assessment conducted by IRMO/MCT.

2. Develop a mechanism to share this information among the U.S. organizations involved in the ministry capacity-development program.

3. Develop a detailed plan, in concert with the Government of Iraq, including clearly defined objectives and performance measures, milestones for achieving stated

objectives, and future funding requirements, for implementing a unified comprehensive capacity-development program to enable the Iraqi government to provide sustainable security and services to the Iraqi public.

4. Actively engage other bilateral and multilateral donors through the International Compact for Iraq process to assist in the planning, execution, and funding of a unified comprehensive capacity-development program in Iraq.

5. Assign clear responsibility for the overall U.S. capacity-development effort to one U.S. government official or organization.

Management Comments and Audit Response

We received written comments on a draft of this report from IRMO, USAID, and MNF-I.

Overall, the organizations generally concurred with our five recommendations. USAID disagreed on some of the methods of implementation. We are pleased to report that IRMO and MNF-I indicated in their comments that they had or were in the process of implementing all of the report's recommendations. IRMO, USAID, MNF-I, and MNSTC-I also provided technical comments, which have been incorporated in the report where appropriate. We consider that all comments received are responsive to the intent of the recommendations.

However, for recommendation 5, "assign clear responsibility for the overall U.S. capacity-development effort to one U.S. government official or organization," we believe that IRMO's response of assigning this responsibility to the Joint Task Force for Capacity Development may not resolve the organizational and program management challenges confronting the U.S. capacity development initiative. As we observed during our assessment, the Joint Task Force is a useful mechanism for information sharing but lacks the authority to direct organizations in a coordinated manner. However, the Joint Task Force is an organization that coordinates rather than has an accountable management responsibility or authority.

We believe this accountability with the appropriate authority is particularly important in addressing cross-ministerial management problems with multiple implementing agencies and organizations. IRMO stated in its comments that the magnitude and complexity of the challenges faced in Iraq, combined with the many U.S. government entities involved, presents an organizational challenge of some magnitude. We agree. As such, we continue to believe—and USAID's response to the draft report supported—that assigning overall responsibility to a single official or office with directive authority is the best way forward to address these organizational challenges. USAID responded that "the best scenario would be for a single organization to receive all funding for capacity development with the head of that organization named as the one U.S. government official responsible for U.S. capacity development efforts."

MNF-I, in its response to the draft of this report, stated that recommendation 5 is already completed because the "Secretary of State has appointed the Coordinator for Reconstruction (Ambassador Carney). Further, in accordance with Appendix 4 (Effective Government and Essential Services) to Annex V (Campaign Objectives) of the Joint Campaign Plan, National Capacity Development is managed by the Joint Executive Steering Committee, which decides on issues related to the multi-level capacity-development initiatives and ensures efforts are synchronized."

Based on the various responses to our recommendation 5, we believe that this recommendation remains valid. Further, as demonstrated by the responses and our discussions with other ministerial capacity-development participants, the overall responsibility for capacity-development has not been clearly assigned.

Appendix A—Scope and Methodology

The Special Inspector General for Iraq Reconstruction (SIGIR) initiated this study on September 24, 2006 (Project No. 6035), specifically to answer five questions: (1) have U.S. government organizations, such as the Department of State and USAID, assessed the competency of the responsible Iraqi ministries for the long-term management of essential government functions/services, (2) what are their programs for addressing the identified shortcomings, (3) what performance indicators or metrics will be used to measure progress and who has overall responsibility for measuring progress, (4) have U.S. government organizations identified adequate funding, and (5) is the U.S. government working with other donor nations and institutions to coordinate, fund, and develop solutions for a comprehensive capacity-development program in future years.

To determine whether U.S. government organizations assessed the competencies of the responsible Iraqi ministries, we interviewed both major and minor participants in the national capacity-development program, including the U.S. Embassy's Iraq Reconstruction Management Office (IRMO), the U.S. Agency for International Development (USAID), the Multi-National Security Transition Command-Iraq (MNSTC-I), the U.S. Army Corps of Engineers Gulf Region Division (GRD), and IRMO's senior consultants and U.S. Embassy's offices (Justice, Treasury, and Economic Affairs), and obtained information on capacity-development problems within their respective ministries of responsibility. We analyzed IRMO's ministerial competency assessment methodology and results, as well as examined USAID's plans for conducting an assessment as part of its involvement in the national capacity-development program.

To determine if there were programs for addressing identified shortcomings, we obtained and reviewed capacity-development program documents from IRMO, USAID, MNSTC-I, and GRD and held discussions with not only these officials but also the U.S. Embassy's officers and IRMO's senior consultants. We reviewed the *U.S. National Strategy for Victory in Iraq*, the Joint Campaign Plan, and the U.S. Embassy's Mission Performance Plan to determine if existing and proposed programs were in line with U.S. government policy guidance and outlined strategic, political, security, and economic objectives for Iraq. We also attended the weekly meeting of the Joint Task Force for Capacity Development.

To identify whether there were performance indicators to measure progress, we held interviews with each U.S. government organization conducting capacity-development activities to determine if and how they planned to measure the impact of their activities. We also obtained and examined the indicators developed by IRMO's Ministerial Coordination Team (Ministerial Capacity Metrics Assessment), USAID (Performance Monitoring Plan), and MNSTC-I (Transitional Readiness Assessment).

To determine whether there was adequate funding identified for capacity development, we examined funding documents from IRMO and USAID for fiscal years 2006-08. We held interviews with officials from U.S. government organizations conducting ministerial capacity-development activities and obtained both their funding requirements and

funding methodology for meeting the U.S. government's end-state objective for the Government of Iraq, namely, to provide sustainable security and services to the Iraqi public.

Finally, to determine whether the U.S. government is working with other donor nations and institutions to coordinate, fund, and develop solutions for a comprehensive capacity-development program in future years, we interviewed officials from the U.S. Embassy, IRMO, the United Kingdom's Department for International Development, the World Bank, and the United Nations Assistance Mission in Iraq. We also reviewed capacity-development program documents found on the websites of the International Reconstruction Fund Facility for Iraq, the United Nations Development Group Iraq Trust Fund, and the World Bank Iraq Trust Fund. We also examined documents and reports pertaining to the goals, plans, and formation of the International Compact for Iraq.

We conducted this audit from September through January 2007 in accordance with generally accepted government auditing standards.

Use of Computer-Processed Data

We did not utilize any computer-processed data during the performance of this audit.

Prior Coverage

We reviewed applicable reports issued by SIGIR, USAID Office of the Inspector General, and the Government Accountability Office:

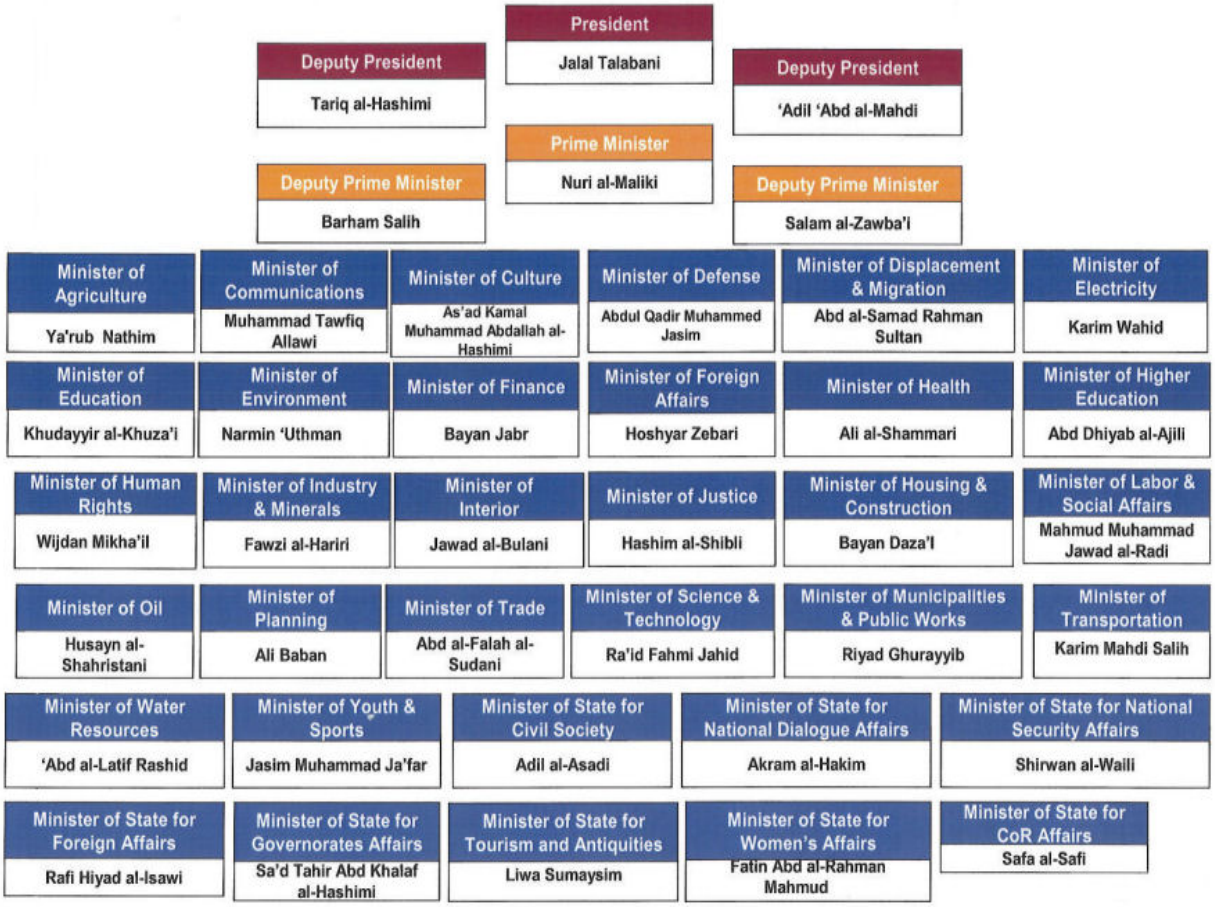
- *Managing Sustainment for Iraq Relief and Reconstruction Fund Programs* (SIGIR-05-022, October 24, 2005)

- *Challenges Faced in Carrying Out Iraq Relief and Reconstruction Fund Activities* (SIGIR-05-029, January 26, 2006)

- *Audit of USAID/Iraq's Electrical Power Activities* (USAID/Inspector General-E-267-05-003-P, June 29, 2005)

- *Rebuilding Iraq: Status of Funding and Reconstruction Efforts* (GAO-05-876, July 28, 2005)

Appendix B—Iraqi National Unity Government



Source: Chart developed by IRMO/MCT, as of January 4, 2007

Appendix C—Acronyms

ESF	Economic Support Fund
GRD	Gulf Region Division, U.S. Army Corps of Engineers
IRMO	Iraq Reconstruction Management Office
IRRF	Iraq Reconstruction and Relief Fund
MCT	Ministerial Coordination Team
MNF-I	Multi-National Force-Iraq
MNSTC-I	Multi-National Security Transition Command-Iraq
SIGIR	Special Inspector General for Iraq Reconstruction
USAID	U.S. Agency for International Development

Appendix D—Report Distribution

Department of State

Secretary of State
- Senior Advisor to the Secretary and Coordinator for Iraq
- Director of U.S. Foreign Assistance/Administrator, U.S. Agency for International Development
  - Director, Office of Iraq Reconstruction
- Assistant Secretary for Resource Management/Chief Financial Officer, Bureau of Resource Management

U.S. Ambassador to Iraq*
- Director, Iraq Reconstruction Management Office*
- Mission Director-Iraq, U.S. Agency for International Development*

Inspector General, Department of State

Department of Defense

Secretary of Defense
Deputy Secretary of Defense
Under Secretary of Defense (Comptroller)/Chief Financial Officer
- Deputy Chief Financial Officer
- Deputy Comptroller (Program/Budget)

Deputy Assistant Secretary of Defense-Middle East, Office of Policy/International Security Affairs
Inspector General, Department of Defense
Director, Defense Contract Audit Agency
Director, Defense Finance and Accounting Service
Director, Defense Contract Management Agency

Department of the Army

Assistant Secretary of the Army for Acquisition, Logistics, and Technology
- Principal Deputy to the Assistant Secretary of the Army for Acquisition, Logistics, and Technology
- Deputy Assistant Secretary of the Army (Policy and Procurement)
- Director, Project and Contracting Office
- Commanding General, Joint Contracting Command-Iraq/Afghanistan

Assistant Secretary of the Army for Financial Management and Comptroller
Chief of Engineers and Commander, U.S. Army Corps of Engineers
- Commanding General, Gulf Region Division*
- Chief Financial Officer, U.S. Army Corps of Engineers

Auditor General of the Army

U.S. Central Command

Commanding General, Multi-National Force-Iraq*
- Commanding General, Multi-National Corps-Iraq
- Commanding General, Multi-National Security Transition Command-Iraq*
- Commander, Joint Area Support Group-Central

Other Federal Government Organizations

Director, Office of Management and Budget
Comptroller General of the United States
Inspector General, Department of the Treasury
Inspector General, Department of Commerce
Inspector General, Department of Health and Human Services
Inspector General, U.S. Agency for International Development
President, Overseas Private Investment Corporation
President, U.S. Institute for Peace

Congressional Committees and Subcommittees, Chairman and Ranking Minority Member

U.S. Senate

Senate Committee on Appropriations
- Subcommittee on Defense
- Subcommittee on State, Foreign Operations and Related Programs

Senate Committee on Armed Services
Senate Committee on Foreign Relations
- Subcommittee on International Operations and Terrorism
- Subcommittee on Near Eastern and South Asian Affairs

Senate Committee on Homeland Security and Governmental Affairs
- Subcommittee on Federal Financial Management, Government Information and International Security
- Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia

U.S. House of Representatives

House Committee on Appropriations
- Subcommittee on Defense
- Subcommittee on Foreign Operations, Export Financing and Related Programs
- Subcommittee on Science, State, Justice and Commerce and Related Agencies

House Committee on Armed Services
House Committee on Government Reform
- Subcommittee on Management, Finance and Accountability
- Subcommittee on National Security, Emerging Threats and International Relations

House Committee on International Relations
Subcommittee on Middle East and Central Asia

*Recipient of draft audit report.

Appendix E—Audit Team Members

This report was prepared and the review was conducted under the direction of Joseph T. McDermott, Assistant Inspector General for Audit, Office of the Special Inspector General for Iraq Reconstruction.

The staff members who conducted the audit and contributed to the report include:

Karen Bell

Joanne M. Brignolo

Patrick A. Dickriede

Glenn Furbish

Waheed Nasser

Clifton Spruill

Management Comments
Iraq Reconstruction Management Office (IRMO)

Comments on SIGIR Draft Audit Report
Status of Ministerial Capacity Development in Iraq

IRMO concurs with the final recommendations of the Draft SIGIR report. We believe however, that it is important that the analysis, discussions and arguments made by SIGIR need to better reflect the realities of the capacity development environment currently faced by the USG. The final Report should also recognize that all the recommendations have already been implemented or were in the process of being implemented prior to the issuance of this report.

The conditions and challenges facing CD efforts within Iraq have a greater impact on the ability to undertake structured, traditional Capacity Development than the SIGIR assessment acknowledges. SIGIR has identified a number of these conditions:

> The Report acknowledges that the conditions on the ground include a sequence of four governments in Iraq since liberation in 2003.
>
> The Report correctly observes that "debaathification" and "subsequent 'brain drain' [that] decimated the government's managerial class."
>
> The Report states that "The current government in office for about seven months [since May 2006] has had to deal with ongoing sectarian strife and increased violence, impeding coalition nation-building and related capacity development efforts."
>
> The Report contends that "Several Iraqi ministries…appear more concerned with furthering sectarian interest than governance and capacity development [and] staffing…is frequently based upon religious and clan loyalty as opposed to merit or qualifications, thus undermining the capacity development goal of training a competent workforce."
>
> We also agree with SIGIR's assertion that "…the Iraqi government's inability to spend its own budget resources [is] a significant problem," and correcting the problem will be challenging due to "…lack of modern financial management systems, an uncertain legal and regulatory framework, too many stakeholders for large expenditure decisions, and political leadership that uses spending authority to exert sectarian control."

These conditions continue to have a dramatic impact on the political will of the GOI to focus on CD. It must be emphasized that the foundation of all successful and sustainable CD is first of all establishing an enabling environment (political will).

Based upon this operating environment, we differ with respect to SIGIR's implication that little effort has been has been made over the last 3 years, that this effort is always cumulative and that there are issues with the strategic/tactical approach to the overall CD activities.

We believe that the USG strategy for Iraq is legitimately reflected in the Joint Mission/MNF-I Strategy (currently under review to reflect the new USG strategy) and that subsequent tactical plans, objectives and indicators for CD interventions should be derived from this in parallel with a supporting and integrated assessment processes.

It is also IRMO's contention that evaluation of Ministerial Capacity Development should be based upon the seven-month period since the formation of the current government. Previous assessments because of the Iraq environment discussed above are of limited value.

As such, USG entities, to a large extent, are still focused on addressing immediate and pressing issues in GOI management of security and provision of basic services, with a focus to establish within the GOI, the

1

required enabling environment for sustainable CD interventions. As a result, not all of the USG initiatives have unfolded as CD interventions using traditional processes.

Finally IRMO agrees with SIGIR that the USG CD efforts in Iraq could benefit from the development and coordination of fully integrated assessment, planning, review and monitoring processes (at the tactical level). However, the magnitude and complexity of the challenges faced in Iraq, combined with the many USG entities required to address these concerns presents an organizational challenge of some magnitude.

We continue to make progress along this path through newly created bodies like the JTFCD.

Response to SIGIR Recommendations:
Note: It should be noted in the final report that all SIGIR recommendations were either complete or in process prior to issuance of the Draft Report.

1. **Concur.** In process: The JTFCD is currently developing a capacity assessment baseline.
2. **Concur.** Complete: The JTFCD was formed in September 06 is the information sharing mechanism
3. **Concur.** In process: The Capacity Development Working Group (CDWG) has this charter. Additionally, each ministry is being encouraged to establish an office to lead the international community's assistance to their ministry's capacity development strategy and execution
4. **Concur.** In process: Occurring through the Treasury Attaché (Compact) and the CDWG
5. **Concur.** In process: The Director of the Ministerial Coordination Team briefed the concept for the Joint Task Force for Capacity Development (JTFCD) to the Executive Steering Group on 17 October 2006. This group is the "organization" which will have "clear responsibility for the overall US. Capacity Development effort."

Management Comments
Mission-Iraq, U.S. Agency for International Development (USAID)

19 January 2007

Joseph McDermott
Assistant Inspector General for Audit
SIGIR

Dear Mr. McDermott:

Thank you for the opportunity to provide comments on the draft audit report concerning the status of ministerial capacity development in Iraq (SIGIR 06-045). As the report mentions, formal capacity development activities began in the fall of 2006. They came about due to a strategic reorientation away for large scale reconstruction and toward a more explicit approach of focusing on enabling the Government of Iraq to deliver the core services that the country's population requires. USAID believes that these capacity development activities offer great potential and will deliver significant results in the very near future.

USAID's comments on the findings and recommendations in the draft report follow.

Recommendation 1: Develop a capacity assessment baseline for each ministry based on an agreed upon criteria that utilizes (a) the input from the individual U.S. organizations that have had an ongoing presence within the Iraqi ministries; and (b) the assessment conducted by IRMO/MCT.

USAID response: USAID agrees with this recommendation and plans to collaborate with those involved. At the same time, USAID will continue with its Iraqi-led plans to develop self assessment methodologies that have the potential to form the nucleus of a continual quality improvement process within the targeted Iraqi government institutions.

Recommendation 2: Develop a mechanism to share this information among the U.S. organizations involved in the ministry capacity development program.

USAID response: USAID agrees with this recommendation, and plans to share information generated through its activities.

Recommendation 3: Develop a detailed plan, in concert with the Government of Iraq, including clearly defined objectives and outcome-related performance measures, milestones for achieving stated objectives, and future funding requirements, for implementing a unified comprehensive capacity development program to enable the Iraqi government to provide sustainable security and services to the Iraqi people.

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USAID Response: USAID believes that joint planning with the Government of Iraq is vitally important for success of U.S. government capacity development activities. Such planning forms an integral part of USAID's activities, and implementation plans call for the involvement of stakeholders across a broad range of U.S. government and donor partners.

However, USAID disagrees with the aspect of the recommendation that calls for "a detailed plan…for implementing a unified comprehensive capacity development program." In order to make capacity development plans actionable, USAID believes such plans should be focused on specific sectors, and include clearly defined objectives, outcome level performance measures, milestones, and resource requirements. The resulting series of sectoral-specific plans, led by Iraqi counterparts, with a robust coordination mechanism to address issues as they emerge, will lead to an improved outcome. Progress on these sectoral specific plans will be monitored via well-constructed performance measurement plans. In addition, we continue to work across ministries to address common requirements, such as budget execution, through the Iraqi National Center for Consultancy and Management Development.

USAID believes that a robust coordination mechanism for U.S. government activities exists in the form of the Joint Task Force for Capacity Development. USAID believes the report may be prematurely dismissing the potential of that forum. For broader coordination with bilateral and multilateral partners, the Iraqi-led Capacity Development Working Group offers the appropriate forum. USAID and other partners are supporting this group to maximize its potential.

Recommendation 4: Actively work with other bilateral and multilateral donors through the International Compact with Iraq process to assist the planning, execution and funding of a unified comprehensive capacity development program in Iraq.

USAID response: USAID firmly believes in and agrees with the principle of working with bilateral and multilateral partners on planning and executing the capacity development program. However, USAID does not agree with the specific element of joint funding implied in the text of the draft audit report and the recommendation. In USAID's global experience, joint project or program funding with other donors requires very significant management burden that can significantly exceed the effort required for coordination of planning and execution using parallel funding, and lead to substantially similar outcomes.

In the course of USAID's capacity development activities, significant and sustained efforts have already been undertaken to coordinate with bilateral partners and, to the extent that they have a presence in Baghdad, multilateral partners. This engagement will continue throughout the life of USAID's activities.

Recommendation 5: Assign clear responsibility for overall U.S. capacity development effort to one U.S. government official or organization.

USAID response: USAID believes that, in order for this proposal to succeed, the best scenario would be for a single organization to receive all funding for capacity development with the head of that organization named as the one U.S. government official responsible for U.S capacity development efforts.

Yours truly,

Hilda Arellano
Mission Director

Management Comments
Multi-National Force-Iraq (MNF-I)

MNF-I STAFF ACTION MEMORANDUM ☐ URGENT ☒ ROUTINE

1. **SUBJECT:** Response to Draft Audit Report, Status of Ministerial Capacity Developement

2. **TODAY'S DATE** 13 JAN 2007

3. **OFFICE SYMBOL** SPA

4. **MNFI SACO Control Number** 12035

5. **SUSPENSE DATE** 17 JAN 2007

6. **Tasker Number -** **MNFI: #** **CENTCOM:#** **Other: #**

7. **ROUTING: (SCJS USE ONLY)**

		Initials	Date
	CG		
	DCG		
	DCG, DO		
2	CoS	[signature]	27 Dec 07
	ACoS		
	CSM		
1	SCJS	[signature]	22 Jan 07
	DSCJS		

8. **DISPOSITION:** ☒ Approve ☒ Signature ☐ Information ☐ Decision ☐ Other

9. **COMMAND GROUP COMMENTS:**

10. **EXECUTIVE SUMMARY:** ***(Describe the task, origin of the action, issue and the requirement. Provide fact-filled background and comments. Short and clear statement of purpose, major issue, and objective. Why are you telling this to the CG? What should CG know and discuss? What is the objective of the action? Be sure to discuss any enclosed documents and tabs.)***

- **Background**: Review of Draft SIGIR Audit on Status of Ministerial Capacity Development (MCD) in Iraq.
- **Purpose**: Provide comments from staff, specifically on the five recommendations SIGIR proposes in the Draft Audit. These comments are for MNF-I CoS review prior to forwarding back to SIGIR.
- **Issues**: Staff agrees with the recommendations, they are broad and could only help MCD. The recommendations can be categorized as implemented or "work-in-progress." Some issues with statements in the analysis, comments offered from IRMO/MCT and the STRATEFF/POL LNO to IRMO/MCT.
- **Enclosures**:

Tab A: MNF-I Comments to SIGIR Report.
Tab B: Draft SIGIR 06-045 Status of Ministerial Capacity Development in Iraq Report

11. **RECOMMENDATION** ***(Provide a brief statement defining the desired action by the final approval authority and explain why this is the best option).***

CoS review and approve comments at Tab A, which will be forwarded to SIGIR.

12. **PRINCIPAL APPROVALS (Lead Agency Use Only)**

TITLE	INITIAL	DATE (DD MM YY)	APPROVED	NOTED	SEE ME	BRIEF ME	NOTE CHANGES
DCS xxx							
Deputy DCS XXX	**MLW**	**180107**	**X**				

13. ACTION OFFICER NAME *(Name/Position/Phone Number/Email)*
COL Troy L. Dixon, Strategic Assessments, 239-9345

14. SACO NAME *(Name/Position/Phone Number/Email)*
LT Bryan Beecher, USN / SACO, MNF-I SCJS / DSN 318-822-2213 / bryan.beecher@s-iraq.centcom.smil.mil

15. FILE LOCATION *(IDENTIFY FILE LOCATION - EXAMPLE: J:\COMMON\B DOE\CONGRESSIONALS\CIVPAY.DOC)*

SEE REVERSE FOR COORDINATION SUMMARY

SIGIR's Mission	Regarding the U.S. reconstruction plans, programs, and operations in Iraq, the Special Inspector General for Iraq Reconstruction provides independent and objective: • oversight and review through comprehensive audits, inspections, and investigations • advice and recommendations on policies to promote economy, efficiency, and effectiveness • deterrence of malfeasance through the prevention and detection of fraud, waste, and abuse • information and analysis to the Secretary of State, the Secretary of Defense, the Congress, and the American people through Quarterly Reports
Obtaining Copies of SIGIR Reports and Testimonies	To obtain copies of SIGIR documents at no cost, go to SIGIR's Web site (www.sigir.mil).
To Report Fraud, Waste, and Abuse in Iraq Relief and Reconstruction Programs	Help prevent fraud, waste, and abuse by reporting suspicious or illegal activities to the SIGIR Hotline: • Web: www.sigir.mil/submit_fraud.html • Phone: 703-602-4063 • Toll Free: 866-301-2003
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